

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS SUPERANNUATION SECTOR

#### AustralianSuper

**AS68QW:** Can you please advise what arrangements you have provided to **defer** the payment of rent for tenancies for **assets owned** by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** All property assets owned directly by AustralianSuper are located outside of Australia, leased by non-Australian tenants. AustralianSuper does not manage the properties it owns and any arrangements made with tenants are done so by the manager of the property. Below is a summary of arrangements made in relation to payment of rent for property assets owned directly by AustralianSuper.

#### **centre:mk (UK)**

The UK government has passed legislation restricting landlords from enforcing rent payments for the April to June quarter. As a result, payments have not been enforced and many tenants (approximately 70%) have chosen not to pay. Any rent relief requests have been noted and management have committed to resolving when there is further clarity on the COVID-19 situation. Some tenants have been permitted to pay rent monthly instead of quarterly. No changes to individual leases have been negotiated.

#### **King's Cross (UK)**

Nearly all office tenants have chosen to pay their rent. Some tenants have been permitted to pay rent monthly instead of quarterly. The shareholders have agreed to provide three months rent free to all our retail and food & beverage tenants. No changes to individual leases have been negotiated. Overall, approximately 95% of tenants continue to pay rent.

#### **US Assets**

States in the US in which our assets are held have introduced legislation suspending tenant evictions for non-payment of rent for defined periods. A number of tenants across our US property portfolio have contacted our US based asset managers to request deferral or abatement of rent. These requests are currently being processed by our US property managers on a case by case basis.

As AustralianSuper does not manage or wholly-own the real estate assets described above, the impact of the arrangements on revenue is varied. Whilst changes to rental agreements will be reflected in valuations, revenue impacts for the Fund are dependent on a variety of factors such as the frequency of income distributions and capital expenditure programs.

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**AS69QW:** Can you please advise what arrangements you have provided to **defer** the payment of rent for tenancies for **assets controlled** by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** Exposure to property assets not directly owned by AustralianSuper is via indirect ownership through commingled pooled funds, where we are one of a number of investors in these funds. The assets within the fund are owned and managed by the fund manager and AustralianSuper does not consider the underlying assets to be under its control.

On 7 April 2020, the National Cabinet released a Code of Conduct (**Code**) relating to commercial leasing and SMEs during the COVID-19 period. Managers of pooled funds to which AustralianSuper has a material exposure have moved to apply the principles of the Code.

As AustralianSuper does not manage or wholly-own the real estate assets described above, the impact of the arrangements on revenue is varied. Whilst changes to rental agreements will be reflected in valuations, revenue impacts for the Fund are dependent on a variety of factors such as the frequency of income distributions and capital expenditure programs.

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**AS70QW:** Can you please advise what arrangements you have provided to **adjust** the payment of rent for tenancies for **assets owned** by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** Refer to the response to AS68QW.

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**AS71QW:** Can you please advise what arrangements you have provided to **adjust** the payment of rent for tenancies for **assets controlled** by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** Refer to the response to AS69QW.

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**AS72QW:** On 1 January 2020 what was your percentage share and nominal value of your listed and unlisted assets?

**Answer:** Refer to the response to question AS6QWc which sets out the asset allocations for each of AustralianSuper's investment options over the last five years.

AustralianSuper does not disclose the valuations or valuation movements of unlisted assets, as doing so could disadvantage AustralianSuper and its members by adversely impacting asset prices.

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**AS73QW:** On 1 January 2020 did your fund have liquidity issues resulting from honouring obligations to members?

**Answer:** No.

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**AS74QW:** What write down, if any, has been made to the value of unlisted assets?

**Answer:** The values of all investment portfolios have been adjusted to reflect the economic and financial market impacts of COVID-19. Unlisted assets have been reduced by 7.5% on average. Further information can be found at <https://www.australiansuper.com/investments/investment-articles/2020/03/revaluation-of-unlisted-assets>.



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**AS75QW:** Listed companies holding infrastructure assets have had write downs of around 40 per cent:

- a. How does this compare to your write down of unlisted assets?
- b. If there is a difference, why is there a difference?

**Answer:** Refer to <https://www.australiansuper.com/investments/investment-articles/2020/03/revaluation-of-unlisted-assets> for commentary on the comparison between listed and unlisted returns.

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**AS76QW:** Have you had any liquidity issues in honouring your obligations to members as a result of the:

- a. recent decline in the share market?
- b. permission by the Federal government to allow members to remove up to \$10,000 per financial year if they lose their job?

**Answer:** No.

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**AS77QW:** What has been the current reduction of the value of your fund, and the unlisted and listed components since 1 January 2020?

**Answer:** Set out in the table below are the 1 year asset class returns as at the date stated:

<b>Listed investments</b>	31 Mar 2020	30 Jun 2019	30 Jun 2018	30 Jun 2017	30 Jun 2016
Australian equities	-14.4%	10.3%	13.7%	12.4%	3.0%
International equities	7.8%	12.2%	16.3%	16.6%	0.4%
<b>Unlisted investments</b>					
Property	-4.5%	5.8%	8.2%	9.8%	11.8%
Infrastructure	0.7%	12.8%	12.6%	14.9%	17.9%
Credit	-7.0%	5.2%	5.8%	12.8%	2.3%
Private equity	3.0%	12.7%	17.6%	11.3%	9.5%
Strategic	4.2%	11.1%	16.1%	10.7%	2.8%
Fixed income	4.7%	8.7%	3.0%	3.0%	5.7%
Cash	1.7%	2.4%	2.2%	2.3%	2.6%

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**AS78QW:** How many members have **requested the early release** of their superannuation since 12 March 2020, and to what value?

Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.

**Answer:** In relation to members applying for early release of their superannuation on account of being financially affected by COVID-19, up to and including 24 April 2020, the ATO has provided to the Fund requests from 86,567 members for a total amount of \$670,556,645.

Aside from members applying for early release of their superannuation on account of being financially affected by COVID-19, AustralianSuper's administrator does not record data that specifically captures the number or value of applications received for early release of superannuation.

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**AS79QW:** How many members have **had approved the early release** of their superannuation since 12 March 2020, and to what value?

Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.

**Answer:** In relation to members applying for early release of their superannuation on account of being financially affected by COVID-19, as at 24 April 2020, the total amount of requests processed and queued for payment is \$559,507,951.

In addition, for the period 9 March 2020 to 17 April 2020, 2461 members who applied for early release of their superannuation on grounds other than being financially affected by COVID-19, had their application approved. The gross value of those approved requests was \$23,441,194.58.

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**AS80QW:** If some members have required the early release of their superannuation since 12 March 2020 and not been approved, please provide details of the grounds on which they have not been approved.

**Answer:** All early release requests were paid consistent with legislative and security requirements.

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#### AS81QW:

Liquidity management:

- a. What is your fund's process for complying with APRA's prudential framework which requires trustees to have a liquidity management plan?
- b. How is the plan being reported to the trustee directors?
- c. Who is responsible for the day-to-day liquidity management for the fund?

#### Answer:

- a. The Fund has an approved Liquidity Management Plan which is reviewed and approved by the Board annually and which satisfies the Fund's prudential requirements relating to liquidity.
- b. The Fund's Liquidity Management Plan is reviewed and approved by the Board annually.
- c. Liquidity is primarily managed within the Fund's Capital Markets team which is in the Investments department.